

Testimony Opposing House Bill 4504

**Before the House Committee on Regulatory Reform
Representative Brandt Iden, Chairman
October 4, 2017**

Chairman Iden and members of the House Committee on Regulatory Reform, I would like to thank you all on behalf of Walmart and Sam's Club for allowing the submittal of this written testimony in opposition of House Bill 4504.

Wal-Mart Stores, Inc. employs over 30,000 associates in the State of Michigan and operates 121 facilities consisting of 95 Walmart stores, 25 Sam's Clubs, and 1 Distribution Center. In 2016, Walmart collected and paid over \$300 million in state and local taxes in the State of Michigan. As you can see, Michigan is an important part of Walmart's business and we believe that Walmart is an important part of Michigan.

It is our mission to offer our customers and members all of the products they want in an easy and convenient shopping experience. While we are able to offer our customers and members spirits in some of our stores and clubs across Michigan, House Bill 4504 would prevent us from offering spirits in many locations. Store and club associates and managers often receive questions about why we are able to offer beer and wine at these stores, but not spirits. This inconvenience to our customers is noticeable and presents a less than ideal shopping experience. For this reason, we write in opposition of House Bill 4504 and offer the following in support of our position.

1. Free Market Principles Prevent Over-Concentration of Retail Outlets Selling Spirits.

Supporters of this legislation argue that failure to pass House Bill 4504 would lead to an immediate concentration of spirits retailers leading to over access and unfair competition. This argument is flawed because for any retail outlet to enter the spirit market, it must first acquire an existing license which is based on a population based quota. Before acquiring a license, which is very expensive, any retail outlet must be certain the local market will provide a return on that investment. If the acquisition of the license would never provide a return on investment, including due to an existing spirit retailer being located in close proximity, the retail outlet will not purchase a license.

2. House Bill 4504 will Prevent Healthy Competition that Improves the Shopping Experience for Michiganders.

Consumers have differing expectations in their shopping experiences. Preferences on convenience, selection, service and price, or a combination thereof, drive consumer shopping decisions. House Bill 4504 will impede Michiganders ability to have the best shopping experience as an existing store offering spirits legally monopolizes at least a ½ mile radius around the store, even if the store offers a poor shopping experience. In these cases, consumers must walk or drive a substantial distance to find an experience they enjoy more. The current regulatory scheme should provide for healthy free-market competition and allow all consumers to find and shop at stores that provide them the shopping experience most suited to them.

3. House Bill 4504 Will Position Michigan as the Most Restrictive State in the Union

The ½ mile restriction outlined in House Bill 4504 is the most restrictive distance requirement between spirits licensees in the country. While some other states have nominal distance requirements to prevent



liquor stores from being located next door to each other, no other state requirement matches or exceeds Michigan. As discussed above, the effect of this requirement is to allow a ½ mile, or greater, monopoly on all spirits sales, which provides no incentive for the existing licensee to improve the shopping experience for customers. Any arguments that passage of House Bill 4504 would eliminate small liquor stores are absolutely false as in every other state there is a coexistence of small, large, and chain stores offering spirits to customers without this restrictive regulation in place.

Again, thank you for allowing Walmart and Sam's Club to submit this written testimony in opposition to House Bill 4504.

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